

# California Agricultural Export Training Certificate

(CalAgX)

Executive Series 2009

Oakland / Merced/ Ontario

*California Centers for International Trade Development (CITD)  
in cooperation with the California Department of Food and Agriculture*



# Welcome Future California Food / Agricultural Exporters

- Introductions
- Overview of what you can expect, and what is expected of you.
- Logistics - <http://www.citd.org/calag/>
- Schedule

# Session I Overview

- Why are you here? –Identifying the barriers to “free trade” of food/ag products across international borders
- Why Export? – What are the benefits of selling globally?
- Are you ready? - When is a company ready to expand globally?
- Do you have a Plan? -Why is an international business plan critical to success?
- Are you Alone? –Are there special resources available for food/ag exporters?



# Why are you here?





# Typical Reasons for CalAgX Training

- Locating a buyer for the product
- Getting the product to the destination
- Getting Paid
- Increasing Sales / Building the market

# What are the barriers?

- KNOWLEDGE
  - Of the market
  - Of foreign laws / regulations / customs
  - Of the logistics required
  - Of international banking / finance
- Other physical / political barriers
  - Tariffs / non-tariff
  - Economic
  - Transportation / infrastructure
- Company Commitment

# Implications for Ag and Food Exporters

- Cultural Issues
- Food Safety / Food Additives
- Weather / Growing Seasons
- Logistics
  - Packaging / Labeling
  - Perishables
- Non-Tariff Barriers / Protectionism
  - Phytosanitary Regulations
  - GMO Issues - Product Modification

# Exercises

- Class Exercise: Review of FAIRS report for the EU
- “A Business of Details” video
- Complete “Export Needs Questionnaire”

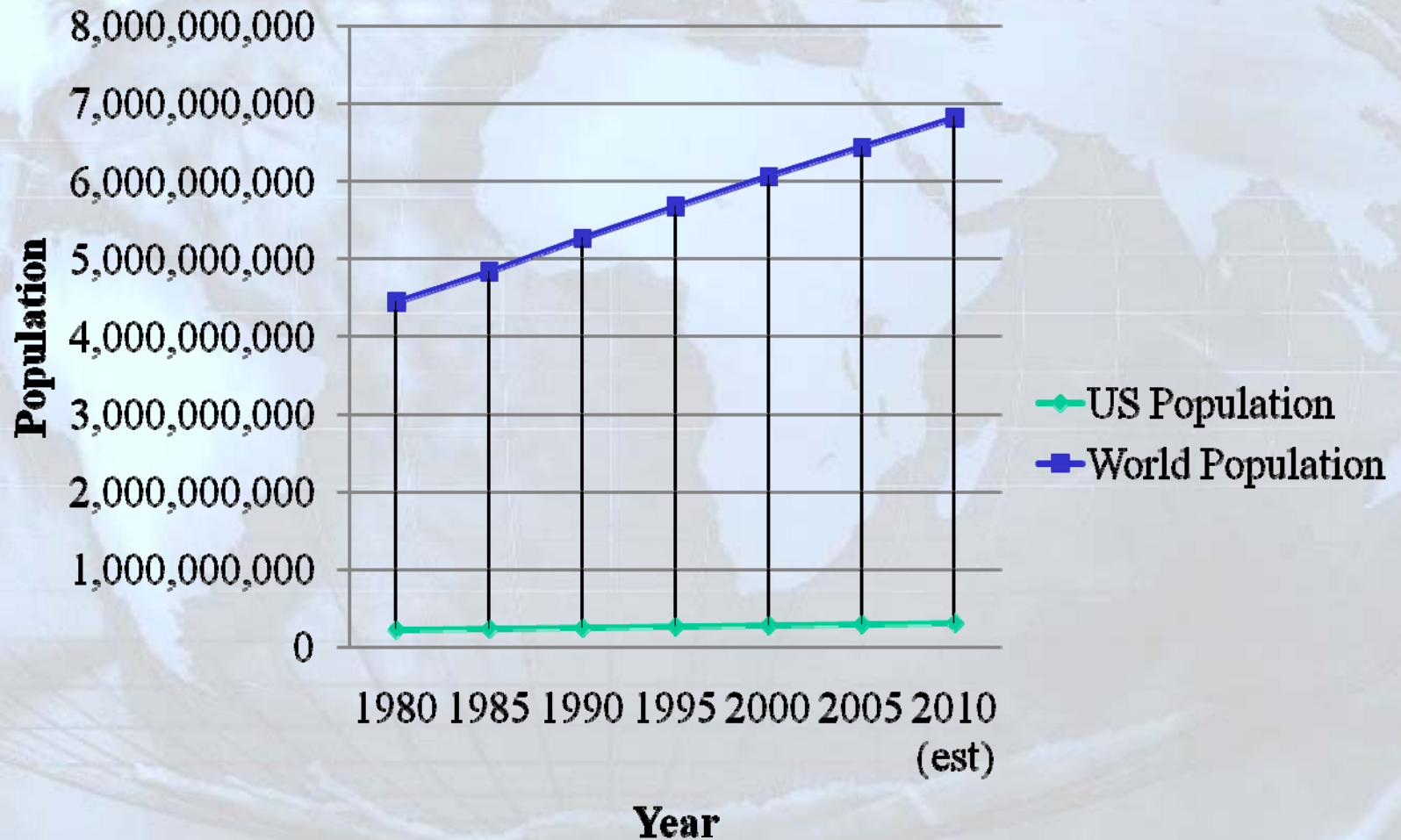


# Why Export?

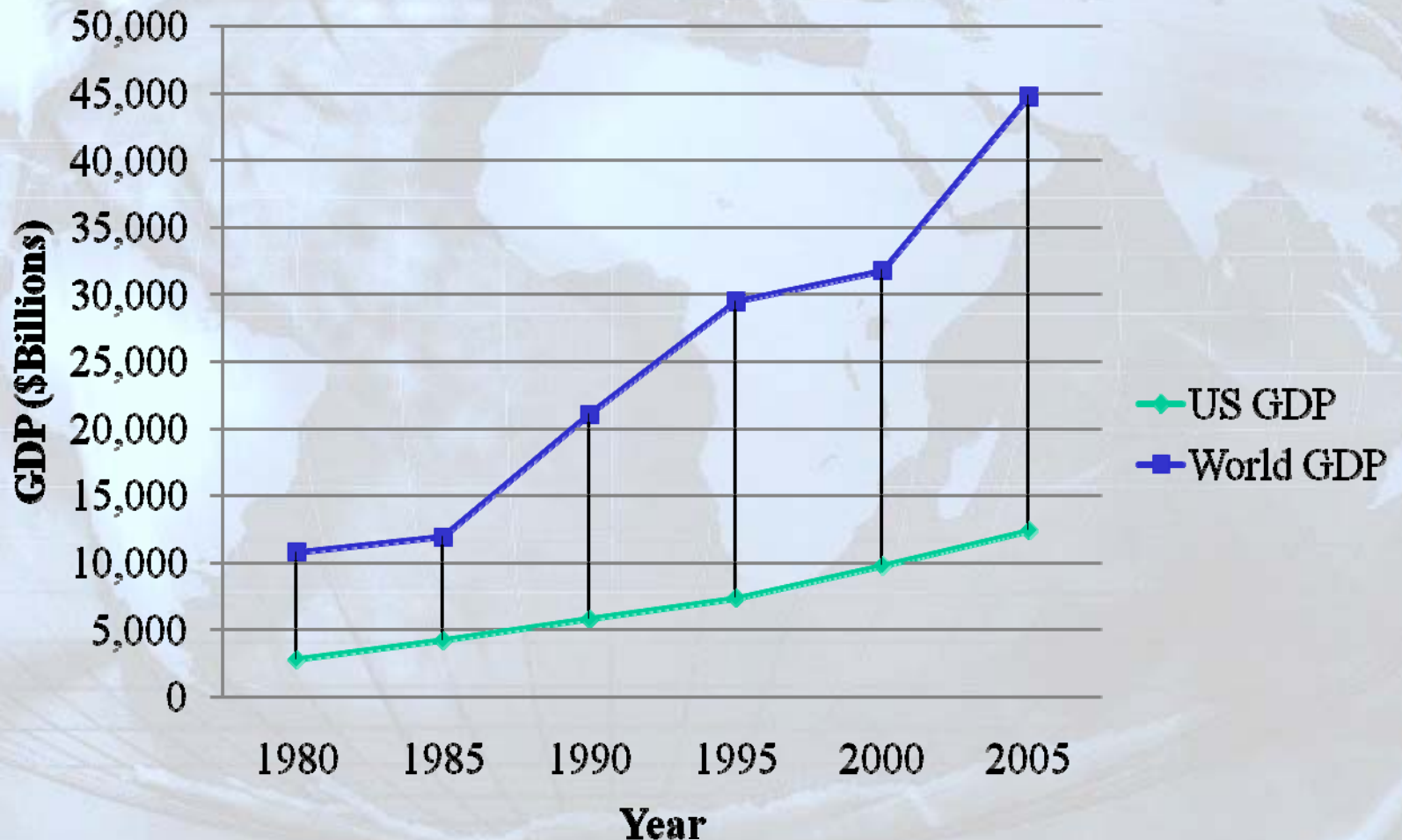
What are the benefits of selling globally?

- 1) Increase the overall market for your product
  - Common needs in foreign markets / more customers
  - Improved economies of scale ... leads to improved profits
- 2) Avoid Changing Domestic Conditions
  - Decreasing domestic customer base
  - Increasing domestic regulations
- 3) Diversify market risks

# US vs. World Population



# US vs. World Income





# Strong Opportunity NOW!

- The current domestic economic downturn
  - likely to reduce domestic demand for most products
  - food products insulated (people need to eat) , but more demand for Cheap!
- Although the dollar has recovered from 2008 lows, exchange rates continue to favor sales of US products overseas:
  - Euro = \$1.32 (was \$0.90 in 2002 – 47% decline in value)
  - Yen = 97 (was 134 in 2002 - 28% decline in value)
  - Canadian = \$0.80 US ( was \$0.62 in 2002 – 29% decline in value)

**US Products are relatively cheap in foreign markets!**



# Building on International Success

## The longer term benefits of exporting

- More markets, avoiding local conditions, and lower costs will always remain the key motivations to go global
- Looking at successful international companies indicates there are further benefits accrued by going global

# Building on Initial International Success

- Global branding
- Worldwide distribution capacity
- Economies of scale that go beyond domestic economies of scale
- Learning that goes beyond domestic borders
- Global cash flows

*All of the above are benefits that build over the longer-term to a company that expands internationally*

# 1) A Global Brand Offers:

- Quicker access to foreign markets
- Potential for stronger partners
- Faster channel penetration
- Leveraged strength across product lines

## 2) Worldwide Distribution

A company that builds a strong international distribution network ...

- Can get products faster to global customers
- Will be able to meet customer needs better
- Diversifies risk across more than one market



### 3) Economies of Scale Beyond Domestic

Purchasing

Sales

H/R Mgmt

Taxes

Technology

Government relations

Telecommunications

Manufacturing

Marketing

Cost control

R&D

Logistics

Customer services

Financing

## 4) Learning that Goes Beyond Domestic Borders

- All aspects of a company can become not only cost advantages, but learning advantages
- From H/R to website strategies, from understanding emerging markets to maximizing customer needs ... all the expertise of a company can be leveraged internationally

## 5) Global Cash Flows

- Global Cash Flows ... using cash flow competitively
- *Cross-subsidization* - using cash flows internationally to fight competitive battles

# Global Motivations: Summary

- The fundamentals (increase sales, changing domestic conditions, access to lower costs) are important aspects of going global.
- But as companies expand internationally, these other aspects (branding, distribution, costs, learning, global cash flows) help build on the international success of a company to fully achieve their global potential.




# These Benefits Are Available to Small Companies

- All companies, regardless of size, have the opportunity to gain from the benefits of expanding globally
- Company size is relative to:
  - the size of the market
  - the size of other competitors
  - its ability to move and change quickly



“Global Brands” – they all started out small at one time!



Are you ready?

# Top Four Conditions to Go Global

- 1) Management / Company commitment
- 2) In-depth experience with the product or service
- 3) Adequate cash flow
- 4) Capacity and capability to produce international products or provide the service



# Four Common Misconceptions About Exporting

- Your company has to be big
- You must have a big export department
- You must have substantial volume
- You must be fluent in foreign languages

*Don't confuse issues that a company can acquire (international expertise) versus issues that are more difficult to change (such as commitment)*

# Is my product “Exportable”?

- Domestic acceptance is a good indication.
- Although there are numerous cultural differences, we’re much more alike than different
- Sometimes, the “domestic acceptance theory” doesn’t work:
  - The case of “Chicken Paws”
  - The case of “Uni”

*(we’ll explore this question further throughout the class)*



But before you start, you begin with  
a plan ...

# Export Strategic Plan

- Identifies a “path” to follow to expanding sales in foreign markets.
- Helps to build company-wide commitment and support
- Written document easier to communicate
- Provides a basis for evaluation and future improvement

*Throughout the course, we'll be working on elements of the export strategic plan*



# Are you alone?

## Public Resources in Support of International Trade

- Federal
  - US Department of Agriculture – Foreign Agricultural Service
  - Western US Agricultural Trade Association
  - US Department of Commerce
  - Small Business Administration / Exim bank
- State resources
  - California Department of Food & Agriculture
- Local resources
  - Centers for International Trade Development
  - Chambers of Commerce

# Federal Assistance

An “Edge” enjoyed by food & ag exporters

- Market Access Program (MAP)
  - Administered by the USDA-Foreign Agricultural Service
  - Reimburses companies up to 50% for qualified foreign promotional expenditures
  - Funds available for all US-content food/ag products
  - Apply through WUSATA (depending upon product)
- Credit Assistance programs
  - Can provide credit guarantees, working capital loans, other trade financing
  - Available through USDA , SBA, Exim Bank



# Questions?